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**FISCAL IMPACT STATEMENT**

**LS 6309**

**BILL NUMBER:** HB 1132

**NOTE PREPARED:** Jan 27, 2012

**BILL AMENDED:** Jan 27, 2012

**SUBJECT:** Controlled Projects.

**FIRST AUTHOR:** Rep. McNamara

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill adds a definition of "cost to be financed" to the controlled projects statute. It defines the term as meaning, for a preliminary determination to issue bonds or enter into a lease made by a political subdivision after June 30, 2012, the cost of a project minus the cash committed to payment for the project by the political subdivision itself, the federal government, and any other entity contributing to the project. It restates the thresholds in current law differentiating between controlled projects that are subject to the petition and remonstrance process and those that are subject to the referendum process in terms of the controlled project's cost to be financed instead of the controlled project's cost.

The bill changes the waiting period required for subsequent referenda for controlled projects and for a school's referendum fund to provide that if the first referendum was held on a May or November election date, a subsequent referendum may be held at the next comparable (May or November) election date even though it may be a few days less than one full year later. It retains the one year rule if a special election is used.

The bill also makes a technical correction.

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Under current law, determining whether a project is a controlled project or not is based in part on the cost of the project. If the project is a controlled project, determining whether it

should be subject to the petition and remonstrance process, or a referendum for approval, is also based on the cost of the project.

Under this bill, for a preliminary determination to issue bonds or enter into a lease made by a political subdivision before July 1, 2012, the "cost to be financed" is defined as the project cost. This is the same as current law. After June 30, 2012, however, the "cost to be financed" would be redefined as (1) the total project cost minus (2) funds the political subdivision has reserved exclusively for the project (cash, grants federal or otherwise). Additionally, the "cost to be financed" rather than the total project cost would be used to determine if a project is a controlled project or not. The "cost to be financed" would also be used to determine if a controlled project is subject to the petition and remonstrance process or a referendum.

The impact of this provision would depend on funds the political subdivision has committed to the project. If the amount of funds would not cause the "cost to be financed" to decrease below the applicable cost threshold (see *Background Information*), then this bill would have no impact, and the result would be the same as current law. On the other hand, if the amount of committed funds is large enough to permit the "cost to be financed" to decrease below the applicable cost threshold, this would change how the project would be administered.

For example, under current law, an elementary school building that will cost more than \$10 M to complete would have to be approved via a referendum. Assuming that the total project cost is actually \$11 M, and the political subdivision has about \$1.5 M in funds committed to the project, the "cost to be financed" (\$9.5 M) would be below the threshold for a referendum. The project would now be eligible to be approved under the simpler and less costly petition and remonstrance process instead.

Under the bill, if the political subdivision is authorized to complete a controlled project, and fails to spend the funds originally reserved for the project, its authority to levy property taxes for the project would be cancelled. If the voters did not approve the project, or the political subdivision decides not to proceed with the project, the political subdivision may apply any cash originally reserved for the project to other lawful uses.

*Background Information:* In general, the cost of a project has to be at least \$1 M for it to be a controlled project. A controlled project, depending on its cost, must be approved by either a petition and remonstrance process (an eligible voter indicates yes or no on a form) or a referendum. For example, the following categories of controlled projects will be subject to a petition and remonstrance process:

1. An elementary school building, middle school building, or other school building for academic instruction (used for students in kindergarten through Grade 8) that will not exceed \$10 M.
2. A high school building or other school building for academic instruction (used for Grades 9 through 12) that will not exceed \$20 M.
3. Any other project whose cost will not exceed the lesser of \$12 M or 1% of the unit's AV, if the cost of the project is at least \$1 M.

Under current law, the lesser of (a) 100 people who are either voters or property owners or (b) 5% of the voters may request a petition and remonstrance process. If at least the minimum number of eligible voters request the petition, the process will go forward. The project will be approved if the minimum number of individuals requesting the petition and remonstrance is not met, or if a majority of voters approve the project if the

petition/remonstrance goes forward.

For a referendum, the project must exceed the cost outlined in categories 1, 2, or 3 above. The number of individuals requesting the referendum is the same as for the petition and remonstrance, but instead of indicating a preference on a form, the referendum will be held at the next municipal, primary, or general election.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Political subdivisions; County auditors.

**Information Sources:**

**Fiscal Analyst:** David Lusan, 317-232-9592.